

**COMBINED TRANSMITTAL OF APPEAL BRIEF TO THE BOARD OF PATENT
APPEALS AND INTERFERENCES & PETITION FOR EXTENSION OF TIME
UNDER 37 C.F.R. 1.136(a) (Small Entity)**

Docket No.
99-078

In Re Application Of: **JAY S. WALKER et al.**

Serial No.
09/540,034

Filing Date
March 31, 2000

Examiner
T. Brown

Group Art Unit
3625

Invention:

**SYSTEMS AND METHODS WHEREIN A THIRD PARTY SUBSIDY AND A MERCHANT SUBSIDY FACILITATE
A TRANSACTION**

TO THE COMMISSIONER FOR PATENTS:

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Applicant(s) hereby request(s) an extension of time of (check desired time period):

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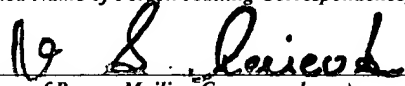
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APPEALS AND INTERFERENCES & PETITION FOR EXTENSION OF TIME
UNDER 37 C.F.R. 1.136(a) (Small Entity)

Docket No.
99-078

In Re Application Of: JAY S. WALKER et al.

Serial No.
09/540,034

Filing Date
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Examiner
T. Brown

Group Art Unit
3625

Invention:

SYSTEMS AND METHODS WHEREIN A THIRD PARTY SUBSIDY AND A MERCHANT SUBSIDY FACILITATE
A TRANSACTION

TO THE COMMISSIONER FOR PATENTS:

This combined Transmittal of Appeal Brief to the Board of Patent Appeals and Interferences and petition for extension of time under 37 CFR 1.136(a) is respectfully submitted by the undersigned:



Signature

Dated: April 2, 2004

Dean P. Alderucci
Attorney for Applicants
PTO Registration No. 40,484
Walker Digital, LLC
203.461.7337/phone
203.461.7300/fax

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Appellants:)
Jay S. Walker, Daniel E. Tedesco,) Group Art Unit: 3625
Stephen C. Tulley, Wen Yan Lin)
) Examiner: T. Brown
Application No.: 09/540,034)
) APPEAL BRIEF
Filed: March 31, 2000)
) Attorney Docket No. 99-078
For: SYSTEMS AND METHODS)
WHEREIN A THIRD PARTY) Customer No. 22927
SUBSIDY AND A MERCHANT)
SUBSIDY FACILITATE A)
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Appellants hereby appeal to the Board of Patent Appeals and Interferences from the decision of the Examiner in the Final Office Action mailed October 10, 2003 (Paper No. 10), rejecting claims 1 - 70.

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APPENDIX A: CLEAN COPY OF CLAIMS INVOLVED IN THE APPEAL

REAL PARTY IN INTEREST

The present application is assigned to Walker Digital, LLC, 1177 High Ridge Road, Stamford, CT 06905.

RELATED APPEALS AND INTERFERENCES

Appellants are not aware of any appeals which might be considered to directly affect, be directly affected by or have a bearing on the Board's decision in the pending appeal.

STATUS OF CLAIMS

Claims 1 - 70 are pending in the present application and are being appealed.

Claims 1 - 48, 50 - 56 and 59 - 66 stand rejected under 35 U.S.C. § 101 as being directed to nonstatutory subject matter.

Claims 1 - 26, 32 - 43, 45, 46, 48 - 54, 57 - 60 and 63 - 70 stand rejected under 35 U.S.C. § 103(a) as being obvious in light of a combination of:

Storey - U.S. Patent No. 5,774,870, and

Krauss, "Subsidized TV Sets?", Communications Engineering & Design, February 1998.

Claims 27 and 28 stand rejected under 35 U.S.C. § 103(a) as being obvious in light of a combination of:

Storey,

Krauss, and

Van Horn - U.S. Patent No. 6,604,089.

Claim 29 stands rejected under 35 U.S.C. § 103(a) as being obvious in light of a combination of:

Storey,
Krauss,
Van Horn, and
Shkedy - U.S. Patent No. 6,260,024.

Claims 30 and 31 stand rejected under 35 U.S.C. § 103(a) as being obvious in light of a combination of:

Storey,
Krauss,
Van Horn, and
Marr, "Managing Price, gaining profit", McKinsey Quarterly, No. 4, Autumn 1992, page

18.

Claim 47 stands rejected under 35 U.S.C. § 103(a) as being obvious in light of a combination of:

Storey,
Krauss, and
Howard, "RM sees outsourcing challenge", National Underwriter Property & Casualty Risk & Benefits Management, Vol. 101, no. 47 November 24, 1997, page 29.

Claim 55 stands rejected under 35 U.S.C. § 103(a) as being obvious in light of a combination of:

Storey,
Krauss, and
Bezos - U.S. Patent No. 6,029,141.

Claims **61 and 62** stand rejected under 35 U.S.C. § 103(a) as being obvious in light of a combination of:

Storey,

Krauss, and

Business Wire, "Shamrock Technology Co. establishes No. American HQ as monitor manufacturer continues market expansion", March 25, 1997.

Claims **44 and 56** stand rejected under 35 U.S.C. § 103(a) as being obvious in light of a combination of:

Storey,

Krauss, and

Goldhaber - U.S. Patent No. 5,855,008.

STATUS OF AMENDMENTS

No amendments were filed subsequent to final rejection.

SUMMARY OF INVENTION

In general, the presently claimed embodiments facilitate purchase transactions (e.g., reduce a purchase price) by using a third party subsidy and possibly a merchant subsidy as well.

[Present Application, page 5, lines 17 - 18]

In one embodiment of the present invention, a merchant subsidy is used in addition to a third party subsidy in order to facilitate the transaction. For example, a customer may indicate that he or she is interested in purchasing \$100 worth of grocery items. A merchant device may determine that a maximum of \$45 worth of third party subsidy offers can be provided to the customer. The merchant, however, may want to offer the grocery items to the customer for free, or for half of the original retail price (e.g., because the customer may be much more likely to accept such an offer). [Present Application, page 7, line 29 - page 8, line 2]

Thus, the merchant device may perform an evaluation to determine if a merchant benefit, such as a merchant subsidy amount, will be applied to the transaction in addition to the third party subsidy. For example, the merchant device may determine that the particular grocery items being purchased by the customer are associated with a cost of \$80 to the merchant (*e.g.*, the merchant had to pay \$80 to one or more distributors in exchange for the grocery items). In this case, the merchant device may decide that a \$5 merchant subsidy will be used to facilitate the transaction in conjunction with the \$45 third party subsidy. As a result, the grocery items can be provided to the customer at half of the original retail price (*i.e.*, \$50) if the customer accepts the offer. That is, the customer price (*i.e.*, \$50) plus the third party subsidy amount (\$45) plus the merchant subsidy amount (\$5) will equal the original retail price of the grocery items (\$100).
[Present Application, page 8, line 3 - 17]

ISSUES

Whether claims 1 - 48, 50 - 56 and 59 - 66 are directed to statutory subject matter:

Whether claims 1 - 26, 32 - 43, 45, 46, 48 - 54, 57 - 60 and 63 - 70 are patentable in light of a combination of:

Storey - U.S. Patent No. 5,774,870, and

Krauss, "Subsidized TV Sets?", Communications Engineering & Design, February 1998.

Whether claims 27 and 28 are patentable in light of a combination of:

Storey,

Krauss, and

Van Horn - U.S. Patent No. 6,604,089.

Whether claims 29 are patentable in light of a combination of:

Storey,

Krauss,

Van Horn, and

Shkedy - U.S. Patent No. 6,260,024.

Whether claims **30 and 31** are patentable in light of a combination of:

Storey,

Krauss,

Van Horn, and

Marn, "Managing price, gaining profit", McKinsey Quarterly, No. 4, Autumn 1992, page

18.

Whether claims **47** are patentable in light of a combination of:

Storey,

Krauss, and

Howard, "RM sees outsourcing challenge", National Underwriter Property & Casualty

Risk & Benefits Management, Vol. 101, no. 47 November 24, 1997, page 29.

Whether claims **55** are patentable in light of a combination of:

Storey,

Krauss, and

Bezos - U.S. Patent No. 6,029,141.

Whether claims **61 and 62** are patentable in light of a combination of:

Storey,

Krauss, and

Business Wire, "Shamrock Technology Co. establishes No. American HQ as monitor manufacturer continues market expansion", March 25, 1997.

Whether claims **44 and 56** are patentable in light of a combination of:

Storey,

Krauss, and

Goldhaber - U.S. Patent No. 5,855,008.

GROUPING OF CLAIMS

The claims in different groups do not stand and fall together.

Appellants group the pending claims as follows:

Group I - claims 1, 4, 8, 27 - 58, 60, 61, 63, 67 - 70

Group II - claim 2

Group III - claim 3

Group IV - claims 5 - 7

Group V - claim 9

Group VI - claims 10 - 13

Group VII - claims 14 - 18

Group VIII - claims 19 - 23

Group IX - claims 24 - 25

Group X - claim 26

Group XI - claim 59

Group XII - claim 62

Group XIII - claim 64

Group XIV - claims 65

Group XV - claims 66

Appellants believe that claims in different groups are separately patentable, as explained below.

ARGUMENT

Summary of Argument

For two primary reasons, the Examiner has not made a prima facie case of obviousness of any claim.

First, the references under any reasonable interpretation completely fail to suggest several limitations that are recited in various independent claims, and the "motivations" provided for combining references are not grounded in any prior art of record.

Second, the Examiner used an improper legal test for rejecting the claims as directed to non-statutory subject matter. The proper legal standard was never employed.

Accordingly, the rejections are inappropriate and Appellants respectfully request that the rejections be reversed.

Form of this Appeal Brief

In the arguments herein, limitations of the claims are indicated in *italics*, and the references of record are indicated by underlining.

In separate arguments of patentability of different Groups, Appellants have, where possible, referred to prior arguments to avoid undue repetition.

In the arguments below, Appellants refer to:

Appellants' Response (Amendment and Response mailed July 14, 2003); and
the "Office Action" (Final Office Action mailed October 10, 2003).

1. Group I

Group I includes claims 1, 4, 8, 27 - 58, 60, 61, 63, 67 - 70, of which claims 1, 67 and 70 are independent.

Claim 1 is a method claim. Claim 67 is a system claim corresponding to claim 1. Claim 70 is a medium claim corresponding to claim 1.

As discussed below, the rejection of the claims of this Group is flawed because the Examiner has not made a prima facie case of obviousness of any claim of this Group.

1.1. Certain Limitations of the Independent Claims

In general, the claims of this Group each include

determining a third party subsidy offer to be provided to the customer
as well as
evaluating whether a merchant benefit will be applied to the transaction

1.2. Advantages of the Independent Claims

The embodiment of claim 1 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

By both *determining a third party subsidy offer to be provided to the customer* and *evaluating whether a merchant benefit will be applied to the transaction*, the transaction may be greatly facilitated. In fact, the combination of third party benefit and merchant benefit can, e.g., prompt the customer to make a purchase he would not have otherwise made.

In addition, *by evaluating whether a merchant benefit will be applied to the transaction*, merchant benefits may be used intelligently. For example, merchant benefits may be used in order to make the purchase highly compelling (e.g., half price). However, a merchant benefit

need not be used if, e.g., the third party benefit already makes the purchase compelling. Thus, the *evaluating* prevents merchant benefits from being used indiscriminately.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

1.3. No Prima Facie Showing of Unpatentability of the Claims of Group I

Limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

Applicable Law

The Examiner bears the burden of establishing a prima facie case of obviousness based upon the prior art. *In re Fritch*, 972 F.2d 1260, 1265 (Fed. Cir. 1992). To reject claims in an application under section 103, an examiner must show an unrebutted *prima facie* case of obviousness. *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998). If examination at the initial stage does not produce a prima facie case of unpatentability, then without more the applicant is entitled to grant of the patent. *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992).

The factual predicates underlying an obviousness determination include the scope and content of the prior art, the differences between the prior art and the claimed invention, and the level of ordinary skill in the art. *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998). The secondary considerations are also essential components of the obviousness determination. *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998).

In order to rely on a reference as a basis for rejection of the applicant's invention, the reference must either be in the field of the applicant's endeavor or, if not, then be reasonably pertinent to the particular problem with which the inventor was concerned. *In re Oetiker*, 977 F.2d 1443, 1447 (Fed. Cir. 1992).

When a rejection is based on a combination of references, the Examiner can satisfy the prima facie burden only by showing some objective teaching leading to the purported combination of references. *In re Fritch*, 972 F.2d 1260, 1265 (Fed. Cir. 1992). Lacking a

GROUP I

motivation to combine references, there is no prima facie case of obviousness. *In re Rouffef*, 149 F.3d 1350, 1358 (Fed. Cir. 1998).

Finally, during examination, claims are given their broadest reasonable interpretation consistent with the specification. *In re Hyatt*, 211 F.3d 1367 (Fed. Cir. 2000). The "PTO applies to verbiage of the proposed claims the broadest reasonable meaning of the words in their ordinary usage as they would be understood by one of ordinary skill in the art, taking into account whatever enlightenment by way of definitions or otherwise that may be afforded by the written description contained in applicant's specification." *In re Morris*, 127 F.3d 1048, 1054-55 (Fed. Cir. 1997).

1.3.1. No showing that the references suggest *determining a third party subsidy offer to be provided to the customer*

The Examiner intimates that portions of this limitation are disclosed by *Krauss* (Final Office Action, page 5):

However, in *Krauss* there is no *offer* of any kind because there is nothing which can be accepted.

Krauss discloses a system in which a customer who desires to purchase, e.g. cellular telephone service, from a service provider receives from the service provider a subsidy on the price of a piece of equipment (e.g. a cellular telephone) that must be purchased in order to enjoy that service.

For example, a customer can buy a cellular phone for \$29 from Circuit City, though the phone costs more than that to manufacture and sell. When the customer signs up for a year of service with a cellular phone company, the cellular phone company sends a check for \$200 to Circuit City. (*Krauss*, page 1, first paragraph)

1.3.2. No showing of a proper motivation to combine the references

Even if combined, the references still do not yield the advantageous limitations discussed above in Section 1.2.

Moreover, the Examiner simply has not shown a motivation in the prior art of record to modify or combine the references in the manner proposed, or in any other manner which could renders the claims obvious.

Applicable Law

Obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. *In re Fine*, 5 USPQ2d 1596 (Fed. Cir. 1988); *In re Jones*, 21 USPQ2d 1941 (Fed. Cir. 1992). Furthermore, **particular findings must be made** as to the reason the skilled artisan, with no knowledge of the claimed invention, would have selected these components for combination in the manner claimed. *In re Kotzab*, 217 F.3d 1365, 1371, 55 U.S.P.Q.2d 1313, 1317 (Fed. Cir. 2000) (emphasis added).

A finding of obviousness requires that the art contain something to suggest the desirability of the proposed combination. *In re Grabiak*, 769 F.2d 729, 732 (Fed. Cir. 1985). **In the absence of such a showing**, there is inadequate support for the position that the proposed modification would *prima facie* have been obvious. *Id.* The absence of such a suggestion to combine is dispositive in an obviousness determination. *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1579 (Fed. Cir. 1997) (emphasis added).

When the art in question is relatively simple, the opportunity to judge by hindsight is particularly tempting. Consequently, the tests of whether to combine references need to be applied rigorously. *McGinley v. Franklin Sports, Inc.*, 262 F.3d 1339, 1352 (Fed. Cir. 2001): In each case the factual inquiry whether to combine references must be thorough and searching. *Id.*, at 1352 - 53.

No Substantial Evidence of a Motivation to Modify or Combine

In summary, the purported motivations to combine and modify the disparate references are, at best, conclusory statements that the proposed combinations and modifications would have conferred an advantage. There is not even the allegation that the prior art demonstrates the desirability of combining or modifying the references.

Krauss discloses that a customer who signs up for, e.g., a year of satellite service can get a low price on, e.g., a satellite receiver. (Krauss, page 1, second paragraph)

Storey discloses that purchasers are awarded points which may be redeemed. (Storey, Abstract). Storey does not suggest anything to do with third-party subsidies or third-party benefits.

The Examiner proposes the following "motivation" to combine Krauss with Storey:

"in order to enable the customer to complete the subsidized purchase of an item directly from a third party vendor."

Office Action, page 5.

Whatever may be meant by "directly from a third party vendor", the prior art of record does not provide this proposed motivation, and thus it cannot be used to prompt any combination of references.

Moreover, the prior art does not discuss the desirability of "completing the subsidized purchase of an item directly from a third party vendor".

Accordingly, a prima facie case of obviousness has not been made for at least these reasons.

1.3.3. Level of Skill

Applicable Law

A factual predicate underlying an obviousness determination is the level of ordinary skill in the art. *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998). The skill level is one component of the inquiry for a suggestion to combine. *In re Rouffet*, 149 F.3d 1350, 1359 (Fed. Cir. 1998).

Lacking a motivation to combine, there is no prima facie case of obviousness. *In re Rouffet*, 149 F.3d 1350, 1358 (Fed. Cir. 1998). If examination at the initial stage does not produce a prima facie case of unpatentability, then without more the applicant is entitled to grant of the patent. *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992).

Factual Findings

Though required to do so, the Examiner has not set forth any evidence relating to the level of ordinary skill in the art, and has not even alleged what the level of skill in the art would be. The rejection fails for at least this reason.

Based on the present record, one could only conclude that the level of skill is low. No reference cited by the Examiner even addresses any problems that are addressed by the present invention.

None of the references attempt to bring together two distinct manners of benefiting a transaction.

1.4. The Claims Are Statutory

All claims are directed to statutory subject matter. The Examiner has erroneously applied an incorrect legal standard in deciding that the claims are directed to an abstract idea.

In the First Office Action mailed January 14, 2003, claims 1 - 48, 50 - 56, 59 - 64 and 66 were rejected without explanation as being mere abstract ideas. Claim 65 was similarly rejected as an abstract idea with a "mere recitation in the preamble .. or mere implication of employing a machine or article of manufacture to perform some or all of the recited steps." First Office Action, page 2.

Then, in the Final Office Action, the rejection was clarified as "not falling within the technological arts" per In re Johnston, 183 U.S.P.Q. 172 (C.C.P.A. 1972), apparently under the notion that "a claim must implement a physical feature". Final Office Action, page 2.

The proper legal standard was not applied

There are exactly three categories of unpatentable subject matter that have been recognized by the Supreme Court: abstract ideas, natural phenomena, and laws of nature. Diamond v. Diehr (1981). See also, MPEP § 2106, p. 2100-11 (8th ed. Rev. 1, Feb. 2003). The Examiner asserts that the rejected claims fall into the first category - abstract idea.

A claim is not an abstract idea (and thus is statutory) if it provides a "useful, concrete and tangible result". State Street Bank v. Signature Financial Trust, 149 F.3d 1368, 1373, 47

USPQ2d 1596, 1601 (Fed. Cir. 1998), cert. denied, 119 S. Ct. 851 (1999); AT & T Corp. v. Excel Communications Inc., 172 F.3d 1352, 1356, 50 USPQ2d 1447, 1451 (Fed. Cir. 1999).

The Federal Circuit's "more recent cases" have provided "the clearer understanding" of the statutory subject matter inquiry. AT&T Corp. v. Excel Communs., Inc., 172 F.3d at 1361. Accordingly, older opinions, such as the over 30 year-old In re Johnston decision, are not as revealing as to the methodology to be employed in deciding whether the claims recite statutory processes.

The proper legal standard shows that the claims are statutory

A prima facie case of unpatentability under 35 U.S.C. § 101 was not made because the claims were never examined using the proper standard set forth by State Street Bank and AT&T.

All claims, including the rejected claims, in fact produce a useful, concrete and tangible result.

For example, independent claims 1, 67 and 70 each generally recite:

evaluating whether a merchant benefit will be applied to the transaction

This clearly is a useful, concrete and tangible result, not an abstract number without a practical application. The claimed evaluation of whether a merchant benefit will be applied to the transaction can greatly facilitate transactions with customers.

Similarly, claim 64 generally recites:

applying the merchant subsidy amount to the transaction

Claim 65 generally recites:

transmitting to the customer an indication including the third party benefit and the merchant benefit

Finally, claim 66 generally recites:

determining a merchant subsidy amount to be applied to the transaction

GROUP I

Each of these independent claims produces a useful, concrete and tangible result - helping to facilitate a transaction with a customer.

The purported basis for rejecting the claims as nonstatutory

The Examiner has not provided a proper legal basis for rejecting any claim as directed to non-statutory subject matter. Instead, the Examiner has merely concluded, without clarification, that the claims are "not within the technological arts".

In re Johnston does not support the Examiner's position. In that case, the claims were held to be *statutory* because they were directed to "programmed digital computers" which "are statutory subject matter under the provisions of § 101" In re JOHNSTON, 502 F.2d 765, 771 (C.C.P.A. 1974). However, any precedential value this decision may retain today is inapplicable to the present method claims. In re Johnston did not require claims to be directed to programmed digital computers. Further, In re Johnston did not have any process claims at issue and so did not rule on what requirements might apply to process claims.

More significantly, the Federal Circuit in AT&T unambiguously stated that **physical limitations are not required in process claims**.

"Excel also contends that because the process claims at issue lack physical limitations set forth in the patent, the claims are not patentable subject matter. This argument reflects a misunderstanding of our case law. ... Since the claims at issue in this case are directed to a process in the first instance, a structural inquiry is unnecessary. "

AT&T Corp. v. Excel Communs., Inc., 172 F.3d at 1359.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

2. Group II

This Group includes claim 2, which depends on independent claim 1 (Group I). Thus, claim 2 is patentable at least for the reasons discussed above with respect to Group I. In addition, the rejection of claim 2 fails because the Examiner has not provided a prima facie case of obviousness of this claim.

2.1. Certain Limitations of the Claims

Claim 2 generally recites:

said evaluation[of whether a merchant benefit will be applied to the transaction] is based on the third party benefit

2.2. Advantages of the Claims

The embodiment of claim 2 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

As is clear from the present application, by both *determining a third party subsidy offer to be provided to the customer* and *evaluating whether a merchant benefit will be applied to the transaction*, the transaction may be greatly facilitated. In fact, the combination of third party benefit and merchant benefit can, e.g., prompt the customer to make a purchase he would not have otherwise made.

In addition, by *evaluating based on the third party benefit whether a merchant benefit will be applied to the transaction*, merchant benefits may be used intelligently based on the contents of the third party subsidy offer. For example, merchant benefits may be used in order to make the purchase highly compelling (e.g., half price) when the third party subsidy is insufficient by itself. However, a merchant benefit need not be used if, e.g., the third party benefit already makes the purchase compelling. Thus, the *evaluating* prevents merchant benefits from being used indiscriminately.

Group II

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

2.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

2.3.1. No showing that the references suggest *evaluating whether a merchant benefit will be applied to the transaction based on the third party benefit*

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 5). In fact, neither Storey nor any other references of record suggest this limitation:

The Examiner concedes that Storey does not teach applying a third party subsidy. Office Action, page 5. In fact, Storey does not involve any third party benefits, so it cannot teach or suggest doing anything *based on a third party benefit*. Accordingly, Storey cannot suggest

evaluating whether a merchant benefit will be applied to the transaction based on a third party benefit

2.3.2. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

Further, both Storey and Krauss lack any suggestion that any sort of *evaluation* should be in any way based on a *third party benefit*.

2.3.3. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

2.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

3. Group III

This Group includes claim 3, which depends on independent claim 1 (Group I). Thus, claim 3 is patentable at least for the reasons discussed above with respect to Group I. In addition, the rejection of claim 3 fails because the Examiner has not provided a prima facie case of obviousness of this claim.

3.1. Certain Limitations of the Claims

Claim 3 generally recites:

said determining [a third party subsidy offer to be provided to the customer] is performed in response to an indication that the customer is interested in purchasing the item

3.2. Advantages of the Claims

The embodiment of claim 3 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

As is clear from the present application, by *determining [a third party subsidy offer to be provided to the customer] in response to an indication that the customer is interested in purchasing the item*, the offer is provided at a time when the customer is most susceptible to the offer - when the customer is interested in purchasing the item. Thus the offer may be intelligently targeted in order to maximize the chance that the offer is accepted. Since the customer is interested in the item, the customer would be interested in having a third party benefit applied to that transaction.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

Group III

3.3. N Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

3.3.1. No showing that the references suggest *determining [a third party subsidy offer to be provided to the customer] in response to an indication that the customer is interested in purchasing the item*

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 5). In fact, neither Storey nor any other references of record suggest this limitation.

The Examiner concedes that Storey does not teach applying a third party subsidy. Office Action, page 5. In fact, Storey does not involve any third party benefits, so it cannot teach or suggest *determining a third party subsidy offer*.

Similarly, Storey does not suggest doing anything *in response to an indication that the customer is interested in purchasing the item*.

Accordingly, Storey cannot suggest

determining [a third party subsidy offer to be provided to the customer] in response to an indication that the customer is interested in purchasing the item

3.3.2. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

Further, both Storey and Krauss lack any suggestion of doing anything *in response to an indication that the customer is interested in purchasing the item*

3.3.3. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

3.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

4. Group IV

This Group includes dependent claims 5 - 7, which depend on independent claim 1 (Group I). Thus, claims 5 - 7 are patentable at least for the reasons discussed above with respect to Group I. In addition, the rejection of claims 5 - 7 fails because the Examiner has not provided a prima facie case of obviousness of this claim.

4.1. Certain Limitations of the Claims

Claim 5 generally recites:

said determining [a third party subsidy offer to be provided to the customer] comprises receiving an indication of the third party subsidy offer

Claims 6 and 7 depend on claim 5 and thus include this limitation as well.

4.2. Advantages of the Claims

The embodiment of claim 5 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

As is clear from the present application, by *determining a third party subsidy offer to be provided to the customer, including receiving an indication of the third party subsidy offer*, the offer may be received from any of a number of sources, such as from various third party merchants. The reception of such offers allows, e.g., others to determine what subsidies they wish to offer, and forward an indication of that offer, e.g., to a merchant transacting with the customer. Thus, subsidies need not be fixed or determined in advance - they may be determined dynamically (e.g., by a third party) and in turn received.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

Group IV

4.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

4.3.1. No showing that the references suggest *determining a third party subsidy offer to be provided to the customer comprises receiving an indication of the third party subsidy offer*

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 5). In fact, neither Storey nor any other references of record suggest this limitation.

The Examiner concedes that Storey does not teach applying a third party subsidy. Office Action, page 5. In fact, Storey does not involve any third party benefits, so it cannot teach or suggest *determining a third party subsidy offer*.

Similarly, Storey does not suggest *receiving any third party subsidy offer*.

Krauss likewise does not suggest *receiving any third party subsidy offer*. In Krauss there are no offers. Further, in Krauss any third party subsidies are determined before hand. Accordingly there is no need for anyone (e.g., the merchant) to *receive an indication of a third party subsidy offer*.

4.3.2. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

Further, neither Storey nor Krauss suggest the desirability of *receiving an indication of the third party subsidy offer* (e.g., as opposed to determining an offer before hand).

4.3.3. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

4.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

5. Group V

This Group includes dependent claim 9, which depends on independent claim 1 (Group I). Thus, claim 9 is patentable at least for the reasons discussed above with respect to Group I. In addition, the rejection of claim 9 fails because the Examiner has not provided a prima facie case of obviousness of this claim.

5.1. Certain Limitations of the Claims

Claim 9 generally recites:

*the third party benefit comprises a third party subsidy amount and
the merchant benefit comprises a merchant subsidy amount*

5.2. Advantages of the Claims

The embodiment of claim 9 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

Since both *the third party benefit* and *the merchant benefit* are *subsidies*, the transaction may be greatly facilitated by reducing the price the customer need pay. In fact, the combination of the two subsidies can, e.g., prompt the customer to make a purchase he would not have otherwise made, especially if the subsidies combine to make the price zero or close to zero.

Although many types of benefits are appealing to customers, a subsidy can be the most attractive since the purchase price is often the most significant factor in whether the customer makes a purchase.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

Group V

5.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

5.3.1. No showing that the references suggest that *the merchant benefit comprises a merchant subsidy amount*

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 6). In fact, neither Storey nor any other references of record suggest this limitation.

In Storey, there are no *subsidies* of any kind, much less *merchant subsidies*. In Storey, the merchant provides award points, which are not subsidies and do not in any way affect the purchase price of the transaction.

5.3.2. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

Further, neither Storey nor Krauss suggest the desirability of a merchant subsidy amount being applied to a transaction.

5.3.3. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

5.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

6. Group VI

This Group includes dependent claim 10, which depends on claim 9 (Group V). Thus, claim 10 is patentable at least for the reasons discussed above with respect to Group V. In addition, the rejection of claim 10 fails because the Examiner has not provided a prima facie case of obviousness of this claim.

6.1. Certain Limitations of the Claims

Claim 10 generally recites:

evaluating whether a merchant subsidy amount will be applied to the transaction

and

*the merchant subsidy amount is based on
a retail price associated with the item
less
the third party subsidy amount*

6.2. Advantages of the Claims

The embodiment of claim 10 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

The method generally includes *evaluating whether a merchant subsidy amount will be applied to the transaction* (e.g., whether a merchant will provide additional amounts to facilitate a purchase). In making this evaluation, the *merchant subsidy amount is based on*

*a retail price associated with the item
less
the third party subsidy amount*

In other words, the merchant subsidy amount is based on the difference between the retail price of the item and any amounts that a third party provides. Thus, the evaluation of whether to

Group VI

include a merchant subsidy can be based on how much of the purchase price remains after the contribution from another subsidy. Thus, for example, a merchant may desire that a customer pay half price for an item. That merchant can determine how much subsidy money to contribute (along with the third party) in order to reduce the customer's price to half.

As another example, the merchant (or other party) can similarly *evaluate whether a merchant subsidy amount will be applied to the transaction* by determining that the *third party subsidy amount* is sufficient for the *retail price associated with the item*. Thus, there need not be any merchant subsidy amount applied to the transaction.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

6.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

6.3.1. No showing that the references suggest that *the merchant subsidy amount is based on a retail price associated with the item less the third party subsidy amount*

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 6). In fact, neither Storey nor any other references of record suggest this limitation.

In Storey, there are no *subsidies* of any kind, much less *merchant subsidies* or *third party subsidies*. In Storey, award points are provided. Award points are not subsidies and do not in any way affect the purchase price of the transaction.

In addition, the Examiner concedes that Storey does not teach applying a third party subsidy. Office Action, page 5. Since in Storey there is no third party subsidy, a *merchant subsidy amount* cannot be based in any way on a *third party subsidy amount*.

6.3.2. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

Further, neither Storey nor Krauss suggest the desirability of a *merchant subsidy amount* being applied to a transaction. Accordingly, neither reference suggests the desirability of a *merchant amount* being in any way based on a *third party subsidy amount*.

6.3.3. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

6.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

7. Group VII

This Group includes dependent claims 14 - 18, which each depend on claim 1 (Group I). Thus, claims 14 - 18 are patentable at least for the reasons discussed above with respect to Group I. In addition, the rejection of claims 14 - 18 fail because the Examiner has not provided a prima facie case of obviousness of this claim.

7.1. Certain Limitations of the Claims

Claim 14 generally recites:

*the third party benefit comprises a third party subsidy amount and
the merchant benefit comprises providing the item to the customer for free*

Remaining claims 15 - 18 depend from claim 14.

7.2. Advantages of the Claims

The embodiment of claim 14 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

In this method, a *third party subsidy amount is applied to the transaction*, and *the item is provided to the customer for free*. Providing the item to the customer for free is obviously a great benefit to the customer. In addition, since a *third party subsidy amount is applied to the transaction*, the costs of providing the item for free are reduced - more than one party shoulders the burden of providing the item for free.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

7.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

7.3.1. No showing that the references suggest that *the merchant benefit comprises providing the item to the customer for free*

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 7). In fact, neither Storey nor any other references of record suggest this limitation.

In Storey, there are no *subsidies* of any kind, and the merchant does not provide anything for free. In Storey, award points are provided. Award points do not in any way affect the purchase price of the transaction.

In addition, the Examiner concedes that Storey does not teach applying a third party subsidy. Office Action, page 5. In Storey there is no *third party subsidy amount*, as required by the claim.

7.3.2. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

Further, neither Storey nor Krauss suggest the desirability of the collective efforts of a merchant and a third party providing an item to the customer for free.

7.3.3. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

7.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

8. Group VIII

This Group includes dependent claims 19 - 23, which each depend on claim 1 (Group I). Thus, claims 19 - 23 are patentable at least for the reasons discussed above with respect to Group I. In addition, the rejection of claims 19 - 23 fail because the Examiner has not provided a prima facie case of obviousness of this claim.

8.1. Certain Limitations of the Claims

Claim 19 generally recites:

evaluating whether a merchant benefit will be applied to the transaction

comprises

comparing the reduced item price, the third party subsidy amount, and a cost of the item to the merchant

Remaining claims 20 - 23 depend from claim 19.

8.2. Advantages of the Claims

The embodiment of claim 19 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

In this method, in *evaluating whether a merchant benefit will be applied to the transaction*, at least three things are compared: (i) *the reduced item price*, (ii) *the third party subsidy amount*, and (iii) *a cost of the item to the merchant*.

By taking into account *the cost of the item to the merchant*, the item price may be reduced to a point which yields acceptable profit, or acceptable loss.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

8.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

8.3.1. No showing that the references suggest *comparing the reduced item price, the third party subsidy amount, and a cost of the item to the merchant*

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 7). In fact, neither Storey nor any other references of record suggest this limitation.

In Storey, there are no *mention of a cost of an item to a merchant*, much less of comparing this cost to anything else, much less of making the comparison in order to evaluate *whether a merchant benefit (reduced item price) will be applied to the transaction*. In Storey, award points are merely awarded for certain purchases.

Further, the Examiner concedes that Storey does not teach applying a third party subsidy. Office Action, page 5. In Storey there is no third party subsidy amount, as required by the claim.

8.3.2. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

Further, neither Storey nor Krauss suggest the desirability of *comparing a cost of the item to the merchant with a third party subsidy amount in order to evaluate whether a merchant benefit (reduced item price) will be applied to the transaction*.

8.3.3. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

8.4. The Claims Are Statutory .

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

9. Group IX

This Group includes dependent claims **24 and 25**, which each depend on claim **1** (Group I). Thus, claims **24 and 25** are patentable at least for the reasons discussed above with respect to Group I. In addition, the rejection of claims **24 and 25** fails because the Examiner has not provided a prima facie case of obviousness of this claim.

9.1. Certain Limitations of the Claims

Claim **24** generally recites:

evaluating whether a merchant benefit will be applied to the transaction

comprises

comparing the reduced item price, the third party subsidy amount, and a retail price associated with the item

Remaining claim **25** depends from claim **24**.

9.2. Advantages of the Claims

The embodiment of claim **24** provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

In this method, in *evaluating whether a merchant benefit will be applied to the transaction*, at least three things are compared: (i) *the reduced item price*, (ii) *the third party subsidy amount*, and (iii) *a retail price associated with the item*.

By taking into account *the retail price associated with the item*, the item price may be reduced to a point which in some way appeals to a customer. For example, the item price may be reduced to half of the retail price, or to zero. Many customers are better able to process and appreciate discounts when such discounts are, e.g., in terms of the retail price (e.g., half price).

Group IX

Also, by taking into account both *the third party subsidy amount* and the *retail price associated with the item*, the item price may be reduced to a point which in some way appeals to a customer, but only by the amount required in excess of the contributions by the *third party subsidy amount*. Thus, the evaluating can be intelligently based on, e.g., whether the merchant should effectively "contribute" enough to reduce the amount the customer pays even beyond the reduction that results from the *third party subsidy amount*.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

9.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

9.3.1. No showing that the references suggest *comparing the reduced item price, the third party subsidy amount, and a retail price associated with the item*

The Examiner incorrectly asserts that this limitation is disclosed by *Storey* (Office Action, page 8). In fact, neither *Storey* nor any other references of record suggest this limitation.

In *Storey*, there are no *mention of a retail price associated with the item*, much less of comparing this *retail price* to anything else, much less of making the comparison in order to evaluate *whether a merchant benefit (reduced item price) will be applied to the transaction*. In *Storey*, award points are merely awarded for certain purchases.

Further, the Examiner concedes that *Storey* does not teach applying a third party subsidy. Office Action, page 5. In *Storey* there is no *third party subsidy amount*, as required by the claims.

9.3.2. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

Further, neither Storey nor Krauss suggest the desirability of *comparing a retail price associated with the item with a third party subsidy amount in order to evaluate whether a merchant benefit (reduced item price) will be applied to the transaction.*

9.3.3. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

9.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

10. Group X

This Group includes dependent claim 26, which depends on claim 1 (Group I). Thus, claim 26 is patentable at least for the reasons discussed above with respect to Group I. In addition, the rejection of claim 26 fails because the Examiner has not provided a prima facie case of obviousness of this claim.

10.1. Certain Limitations of the Claims

Claim 26 generally recites:

determining the reduced item price based on the third party subsidy amount and at least one of:

- (i) a retail price associated with the item,*
- (ii) a cost of the item to the merchant, and*
- (iii) a minimum acceptable margin.*

10.2. Advantages of the Claims

The embodiment of claim 26 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

Generally speaking, in *determining the reduced item price*, at least two things are compared: (i) *the third party subsidy amount*, and (iii) at least one of three things associated with the item and the merchant: *retail price, cost, and acceptable margin*. Thus, to determine the reduced item price, the third party subsidy amount is taken into account (how much another party contributes) and also something of substantial interest to the merchant is taken into account: at least one of the *retail price, cost, and acceptable margin*.

In particular, consideration of the *retail price* allows the *reduced item price* to be determined in a manner which, e.g., in some way appeals to a customer. For example, the item price may be reduced to half of the retail price, or to zero. Many customers are better able to

Group X

process and appreciate discounts when such discounts are, e.g., in terms of the retail price (e.g., half price).

Similarly, consideration of the *cost* or *acceptable margin* allows the *reduced item price* to be determined in a manner which, e.g., affects the profitability of the item.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

10.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

10.3.1. No showing that the references suggest *determining the reduced item price based on the third party subsidy amount and at least one of (price, cost and acceptable margin)*"

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 8). In fact, neither Storey nor any other references of record suggest this limitation.

In Storey, there are no mention of a *retail price*, *cost of the item*, or *acceptable margin*, much less of using any of these in *determining a reduced item price*. In Storey, award points are merely awarded for certain purchases.

Further, the Examiner concedes that Storey does not teach applying a third party subsidy. Office Action, page 5. In Storey there is no *third party subsidy amount*, as required by the claims.

10.3.2. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

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Further, neither Storey nor Krauss suggest the desirability of *determining a reduced item price based on a third party subsidy amount* and anything else.

10.3.3. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

10.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

11. Group XI

This Group includes dependent claim 59, which depends on claim 1 (Group I). Thus, claim 59 is patentable at least for the reasons discussed above with respect to Group I. In addition, the rejection of claim 59 fails because the Examiner has not provided a prima facie case of obviousness of this claim.

11.1. Certain Limitations of the Claims

Claim 59 generally recites:

*the merchant benefit comprises
another item to be provided to the customer in place of the item*

11.2. Advantages of the Claims

The embodiment of claim 59 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

Generally speaking, if the merchant benefit comprises *another item to be provided to the customer in place of the item*, then the merchant can, e.g., upgrade the item the customer desired to purchase, or otherwise provide the customer with, e.g., an item the customer believes to be "better" or more desirable than the original item.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

11.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

11.3.1. No showing that the references suggest that *the merchant benefit comprises another item to be provided to the customer in place of the item*

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 13). In fact, neither Storey nor any other references of record suggest this limitation.

In Storey, there is no mention of anything being *provided in place of* the original item. In Storey, award points are merely awarded for certain purchases.

Similarly, in Krauss there is no mention of anything being *provided in place of* the original item.

11.3.2. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

Further, neither Storey nor Krauss suggest the desirability of providing anything *in place of* the original item.

11.3.3. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

11.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

12. Group XII

This Group includes dependent claim 62, which depends on claim 1 (Group I). Thus, claim 62 is patentable at least for the reasons discussed above with respect to Group I. In addition, the rejection of claim 62 fails because the Examiner has not provided a prima facie case of obviousness of this claim.

12.1. Certain Limitations of the Claims

Claim 62 generally recites:

evaluating whether a merchant benefit will be applied to the transaction, the merchant benefit comprises an improved transaction term, and the transaction term comprises at least one of:

- (i) a warranty term and*
- (ii) an interest rate term*

Thus, claim 62 generally includes the following limitation:

evaluating whether an improved (warranty or interest rate) term will be applied to the transaction

12.2. Advantages of the Claims

The embodiment of claim 62 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

Generally speaking, if the merchant benefit comprises *an improved warranty term or interest rate term*, the item can be improved. More specifically, the perceived value (e.g., to the customer) of an *improved warranty term or interest rate term* can be much greater than the actual cost (e.g., to the merchant) of providing that improved transaction term. Thus, this type of benefit can be given more freely than other types of benefits.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

12.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

12.3.1. No showing that the references suggest that that *the merchant benefit comprises an improved transaction term, which comprises at least one of (i) a warranty term and (ii) an interest rate term*

The Examiner incorrectly asserts that this limitation is disclosed by a combination of Storey, Krauss and Business Wire (Office Action, pages 4 and 17 - 18).

In fact, according to the Examiner's own logic, the only evaluation of whether to provide any merchant benefit is Storey's evaluation of whether to award points. See, e.g., Office Action, page 5. Krauss does not evaluate whether to provide any merchant benefit at all. Similarly, the system of Business Wire does not evaluate whether to provide any merchant benefit - every customer receives the three-year warranty of Business Wire.

12.3.2. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

No motivation is provided to combine Business Wire with any other reference.

On page 18 of the Office Action, the motivation to combine Storey, Krauss and official notice of "negotiation for improved transaction terms" is that such a combination "would provide the customer with an incentive to complete the transaction". This is merely a conclusory

statement that the combination would be beneficial, not a motivation taught by the prior art. No reference of record hints at *evaluating whether to apply an improved term to the transaction*. Accordingly, there is no motivation to combine the references in the manner proposed.

12.3.3. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

12.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

13. Group XIII

This Group includes independent claim 64.

13.1. Certain Limitations of the Claims

Claim 64 generally recites:

*determining a merchant subsidy amount based on
a retail price associated with the item
less
the third party subsidy amount*

*determining a retail margin based on
a retail price associated with the item
less
a cost of the item to the merchant*

*applying the merchant subsidy amount to the transaction if
the retail margin
less
the merchant subsidy amount*

is at least equal to a minimum acceptable margin associated with the item

13.2. Advantages of the Claims

The embodiment of claim 64 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

Generally speaking, the decision to apply the *merchant subsidy amount to the transaction* relies on the *minimum acceptable margin* being maintained. Thus, the *merchant subsidy amount*

may be applied to the transaction if sufficient margin (and thus profit) is to be made on the transaction.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

13.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

13.3.1. No showing that the references suggest that *determining a merchant subsidy amount based on a retail price associated with the item less the third party subsidy amount*

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 13).

In fact, the Examiner concedes that Storey does not teach applying a third party subsidy. Office Action, page 5. In Storey there is no third party subsidy, so a *merchant subsidy amount* cannot be based in any way on a *third party subsidy amount*.

13.3.2. No showing that the references suggest *determining a retail margin based on a retail price associated with the item less a cost of the item to the merchant*

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 14).

In fact, Storey does not even hint at a *retail margin* or *cost of an item to a merchant*. Thus, Storey cannot in any way suggest *determining a retail margin based on a retail price associated with the item less a cost of the item to the merchant*.

The other references of record likewise do not even hint at a *retail margin* or *cost of an item to a merchant*. Accordingly, there is no motivation too modify Storey in the manner proposed.

13.3.3. No showing that the references suggest *applying the merchant subsidy amount to the transaction if the retail margin less the merchant subsidy amount is at least equal to a minimum acceptable margin associated with the item*

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 14).

In fact, Storey does not even hint at a *retail margin*, *merchant subsidy amount* or *minimum acceptable margin*. Thus, Storey cannot in any way suggest using any of the foregoing to decide whether to *apply the merchant subsidy amount*.

The other references of record likewise do not even hint at a *retail margin*, *merchant subsidy amount* or *cost of an item to a merchant*.

13.3.4. No showing of a proper motivation to combine the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

No reference of record even hints at the desirability of using the *retail margin* or *cost of an item to a merchant*, much less in deciding whether to *apply the merchant subsidy amount*

In addition, the Examiner on page 14 of the Office Action asserts that it would have been obvious to modify Storey to include *not revealing the third party subsidy amount and the merchant subsidy to the customer*. The motivation for this modification is:

"This would provide the third party subsidy provider greater bargaining power since the customer would not know the subsidy amount. Thus the customer would be prevented from searching out the most generous third party subsidy."

This is merely a conclusory statement that the claimed method would be beneficial. There is no evidence that the prior art taught such a motivation.

13.3.5. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

13.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

14. Group XIV

This Group includes independent claim 65.

14.1. Certain Limitations of the Claim

Claim 65 generally recites:

transmitting to the customer an indication including the third party benefit and the merchant benefit without revealing the third party benefit and the merchant benefit to the customer

14.2. Advantages of the Claim

The embodiment of claim 65 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

Generally speaking, by

*transmitting to the customer an indication including the third party benefit and the merchant benefit
without revealing
the third party benefit and the merchant benefit to the customer*

the customer can become motivated to make the purchase because of the benefits. However, since the benefits are not actually revealed to the customer, customer remains unaware of, e.g., the exact contribution made by the merchant. Thus, the merchant can receive the benefit of goodwill even if the merchant has not itself contributed significantly.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

14.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

14.3.1. No showing of a proper motivation to combine or modify the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

In addition, the Examiner on page 14 of the Office Action (referred to in the rejection of claim 65) asserts that it would have been obvious to modify Storey to include *not revealing the third party subsidy amount and the merchant subsidy to the customer*. The motivation for this modification is:

"This would provide the third party subsidy provider greater bargaining power since the customer would not know the subsidy amount. Thus the customer would be prevented from searching out the most generous third party subsidy."

This is merely a conclusory statement that the claimed method would be beneficial. There is no evidence that the prior art taught such a motivation. Accordingly, there is no motivation too modify Storey in the manner proposed.

14.3.2. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

14.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

SEPARATE ARGUMENT OF PATENTABILITY

15. Group XIV

This Group includes independent claim 66.

15.1. Certain Limitations of the Claim

Claim 66 generally recites:

determining a third party subsidy offer to be provided to the customer, the third party subsidy offer being associated with a third party benefit to be applied to the transaction; and
determining a merchant subsidy amount to be applied to the transaction.

15.2. Advantages of the Claim

The embodiment of claim 66 provides several advantages not even recognized, much less disclosed or suggested, by the prior art of record, either alone or in combination. These advantages render the claimed subject matter nonobvious over the cited art.

By both *determining a third party subsidy offer to be provided to the customer* and *evaluating whether a merchant subsidy amount will be applied to the transaction*, the transaction may be greatly facilitated. In fact, the combination of third party benefit and merchant subsidy amount can, e.g., prompt the customer to make a purchase he would not have otherwise made.

In addition, *by evaluating whether a merchant subsidy amount will be applied to the transaction*, merchant subsidy amounts may be used intelligently. For example, merchant subsidy amounts may be used in order to make the purchase highly compelling (e.g., half price). However, a merchant subsidy amount need not be used if, e.g., the third party benefit already makes the purchase compelling. Thus, the *evaluating* prevents merchant subsidy amounts from being used indiscriminately.

A great many more advantageous and diverse uses of the claimed invention, both explicit and implicit in the present Application, are possible and would be apparent to those of skill in the art based on the Appellants' disclosure.

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15.3. No Prima Facie Showing of Unpatentability of the Claims of the Group

The limitations of the claims are not disclosed or suggested by the references of record. Accordingly, the Examiner has not presented a prima facie case of obviousness of any claim of the Group.

The applicable law is discussed above in Section 1.3.

15.3.1. No showing that the references suggest *determining a third party subsidy offer to be provided to the customer*

As discussed above in Section 1.3.1, the references do not suggest this limitation.

15.3.2. No showing that the references suggest *determining a merchant subsidy amount to be applied to the transaction*

As discussed above in Section 1.3.1, the references do not suggest this limitation.

The Examiner incorrectly asserts that this limitation is disclosed by Storey (Office Action, page 6). In fact, neither Storey nor any other references of record suggest this limitation.

In Storey, there are no *subsidies* of any kind, much less *merchant subsidies*. In Storey, the merchant provides award points, which are not subsidies and do not in any way affect the purchase price of the transaction.

15.3.3. No showing of a proper motivation to combine or modify the references

As described above in Section 1.3.2, there is no motivation to combine Storey and Krauss.

15.3.4. Level of Skill

As described above in Section 1.3.3, the level of skill is low, and would not permit the proposed combination of references to be made.

15.4. The Claims Are Statutory

As described above in Section 1.4, each claim is directed to statutory subject matter, not an abstract idea. The Examiner's rejection of the claims as non-statutory is based on an incorrect legal standard. The proper legal standard was not applied.

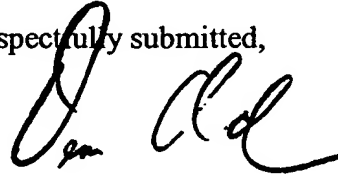
In conclusion, the Examiner has not demonstrated that the claims are directed to nonstatutory subject matter. Also, the Examiner has not set forth a *prima facie* case of obviousness of the claims of the Group.

CONCLUSION

For the foregoing reasons, Appellants respectfully request that the Examiner's rejections be reversed.

If any issues remain, or if there are any further suggestions for expediting allowance of the present application, please contact Dean Alderucci using the information provided below.

Respectfully submitted,



April 2, 2004
Date

Dean Alderucci
Attorney for Appellants
Registration No. 40,484
Alderucci@WalkerDigital.com
(203) 461-7337 /voice
(203) 461-7300 /fax

APPENDIX A
CLEAN COPY OF CLAIMS INVOLVED IN THE APPEAL

Claims 1 - 70 are pending in the present application.
Claims 1, 64 - 67 and 70 are independent.

1. A method for processing a transaction in which a customer purchases an item from a merchant, comprising:

determining a third party subsidy offer to be provided to the customer, the third party subsidy offer being associated with a third party benefit to be applied to the transaction; and

evaluating whether a merchant benefit will be applied to the transaction.
2. The method of claim 1, wherein said evaluation is based on the third party benefit.
3. The method of claim 1, wherein said determining is performed in response to an indication that the customer is interested in purchasing the item.
4. The method of claim 1, wherein said evaluating is performed in response to an indication that the customer is interested in purchasing the item.
5. The method of claim 1, wherein said determining comprises:

receiving an indication of the third party subsidy offer.

CLAIMS INVOLVED IN THE APPEAL

6. The method of claim 5, wherein said receiving is performed prior to receiving an indication that the customer is interested in purchasing the item.

7. The method of claim 5, wherein said receiving is performed in response to a request transmitted after receiving an indication that the customer is interested in purchasing the item.

8. The method of claim 1, wherein said determining comprises:
retrieving an indication of the third party subsidy offer.

9. The method of claim 1, wherein the third party benefit comprises a third party subsidy amount and the merchant benefit comprises a merchant subsidy amount.

10. The method of claim 9, wherein the merchant subsidy amount is based on a retail price associated with the item less the third party subsidy amount.

11. The method of claim 10, wherein said evaluating comprises:
comparing a retail margin associated with the item and the merchant subsidy amount.

12. The method of claim 11, wherein the retail margin comprises the retail price less a cost of the item to the merchant.

13. The method of claim 12, wherein the merchant subsidy amount is applied to the transaction if the retail margin less the merchant subsidy amount is at least equal to a minimum acceptable margin associated with the item.

14. The method of claim 1, wherein the third party benefit comprises a third party subsidy amount and the merchant benefit comprises providing the item to the customer for free.

15. The method of claim 14, wherein said evaluating comprises:
comparing the third party subsidy amount and a cost of the item to the merchant.

16. The method of claim 15, wherein the item is provided to the customer for free if the third party subsidy amount is at least equal to the cost of the item.

17. The method of claim 14, wherein said evaluating comprises:
comparing the third party subsidy amount and a retail price associated with the item.

18. The method of claim 17, wherein the item is provided to the customer for free if the third party subsidy amount is at least equal to the retail price.

19. The method of claim 1, wherein the third party benefit comprises a third party subsidy amount, the merchant benefit comprises a reduced item price, and said evaluating comprises:
comparing the reduced item price, the third party subsidy amount, and a cost of the item to the merchant.

CLAIMS INVOLVED IN THE APPEAL

20. The method of claim 19, wherein the reduced item price is applied to the transaction if a margin associated with the transaction is at least equal to a minimum acceptable margin associated with the item.

21. The method of claim 20, wherein the margin associated with the transaction comprises the third party subsidy amount plus the reduced item price less the cost of the item.

22. The method of claim 19, wherein the reduced item price is applied to the transaction without being disclosed to the customer.

23. The method of claim 19, wherein the reduced item price is based on at least one of:

- (i) a retail price associated with the item less a predetermined amount, and
- (ii) a predetermined percentage of the retail price.

24. The method of claim 1, wherein the third party benefit comprises a third party subsidy amount, the merchant benefit comprises a reduced item price, and said evaluating comprises:
comparing the reduced item price, the third party subsidy amount and a retail price associated with the item.

25. The method of claim 24, wherein the reduced item price is applied to the transaction if the reduced item price plus the third party subsidy amount is at least equal to the retail price.

26. The method of claim 1, wherein the third party benefit comprises a third party subsidy amount, the merchant benefit comprises a reduced item price, and further comprising:

determining the reduced item price based on the third party subsidy amount and at least one of:

- (i) a retail price associated with the item,
- (ii) a cost of the item to the merchant, and
- (iii) a minimum acceptable margin.

27. The method of claim 1, further comprising:

receiving a customer offer to purchase the item in exchange for payment of a customer offer amount,

wherein the third party benefit comprises a third party subsidy amount, and the merchant benefit comprises a merchant subsidy amount.

28. The method of claim 27, wherein the customer offer comprises at least one of:

- (i) a binding offer, and
- (ii) an auction bid.

29. The method of claim 27, wherein the customer offer amount is based on a customer-defined price.

30. The method of claim 27, wherein the merchant subsidy amount is based on the third party subsidy amount and the customer offer amount.

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31. The method of claim 30, wherein the merchant subsidy amount is further based on at least one of:

- (i) a retail price associated with the item,
- (ii) a cost of the item to the merchant, and
- (iii) a minimum acceptable price associated with the item.

32. The method of claim 1, wherein said evaluating is based on information associated with the customer.

33. The method of claim 32, wherein the information associated with the customer comprises at least one of:

- (i) an address,
- (ii) demographic information,
- (iii) psychographic information,
- (iv) a credit rating,
- (v) an association of the customer with the merchant,
- (vi) an association of the customer with a merchant competitor,
- (vii) information associated with at least one previous transaction,
- (viii) a previous subsidy offer provided to the customer,
- (ix) a previous subsidy offer accepted by the customer, and
- (x) a previous subsidy offer rejected by the customer.

34. The method of claim 1, wherein said evaluating is based on information associated with the item.

35. The method of claim 34 wherein the information associated with the item comprises at least one of:

- (i) an item category,
- (ii) an item class,
- (iii) an item feature,
- (iv) revenue management information,
- (v) a number of transactions being complete by the merchant,
- (vi) an amount of profit being made by the merchant,
- (vii) a supply of the item, and
- (viii) a demand for the item.

36. The method of claim 1, wherein said evaluating is based on at least one other item being purchased by the customer in the transaction.

37. The method of claim 36, wherein said evaluating is based on a margin associated with the at least one other item.

38. The method of claim 1, wherein said evaluating is based on at least one prior transaction between the customer and the merchant.

39. The method of claim 1, wherein the third party benefit is not revealed to the customer.

40. The method of claim 1, wherein the merchant benefit is not revealed to the customer.

41. The method of claim 1, wherein the third party benefit and the merchant benefit are not revealed to the customer.

42. The method of claim 1, wherein the third party subsidy offer is conditioned upon performance of a first task by the customer.

43. The method of claim 1, wherein the merchant benefit is associated with a merchant subsidy

offer.

44. The method of claim 43, wherein the merchant subsidy offer is not conditioned upon performance of a second task by the customer.

45. The method of claim 43, wherein the merchant subsidy offer is conditioned upon performance of a second task by the customer.

46. The method of claim 45, wherein the second task comprises at least one of:

- (i) returning to the merchant within a predetermined period of time,
- (ii) purchasing another item from the merchant within a predetermined period of time,
- (iii) providing information to the merchant, and
- (iv) receiving information from the merchant.

47. The method of claim 45, further comprising:

applying a penalty to the customer if the customer does not perform the second task.

48. The method of claim 43, further comprising:

transmitting an indication of the merchant subsidy offer to the customer; and

receiving a response to the merchant subsidy offer from the customer.

49. The method of claim 48, wherein said transmitting is performed via at least one of:

- (i) a Web page,
- (ii) a telephone,
- (iii) an interactive voice response unit,
- (iv) a point of sale terminal,
- (v) an automatic teller machine,
- (vi) a personal digital assistant,
- (vii) a portable customer device,
- (viii) an electronic mail message, and
- (ix) a kiosk.

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50. The method of claim 1, further comprising:

transmitting an indication of the third party subsidy offer to the customer.

51. The method of claim 50, wherein the merchant benefit is determined prior to said transmitting.

52. The method of claim 1, further comprising:

receiving an indication that the customer is interested in purchasing the item.

53. The method of claim 52, wherein at least one of said determining and said evaluating are performed in response to said receiving.

54. The method of claim 53, wherein said receiving comprises receiving from the customer an order for the item.

55. The method of claim 53, wherein said receiving is performed via a Web page and comprises receiving an indication that the item is in a virtual shopping cart associated with the customer.

56. The method of claim 53, wherein said receiving comprises receiving an indication that the customer is accessing information about the item.

57. The method of claim 53, wherein said receiving comprises receiving at least one of:

information stored at a customer device,

an indication from an input device associated with the customer,

an indication that the customer is viewing information about the item,

an indication that the customer has viewed information about the item for a
predetermined period of time,

an indication that the customer is providing payment for the item,

a search term,

a price request,

an indication that the customer is no longer interested in purchasing the item,

an indication that the customer is not going to purchase the item at an original price,

an indication that the customer is interested in purchasing another item;

an indication that the customer is purchasing the item from another merchant,

a bid for the item,

an offer to purchase the item, the offer including a customer defined price for the item,

and

an indication that a second customer is interested in purchasing the item.

58. The method of claim 52, wherein said receiving is performed via at least one of:

- (i) a Web page,
- (ii) a telephone,
- (iii) an interactive voice response unit,
- (iv) a point of sale terminal,
- (v) an automatic teller machine,
- (vi) a personal digital assistant,
- (vii) a portable customer device,
- (viii) an electronic mail message, and
- (ix) a kiosk.

59. The method of claim 1, wherein the merchant benefit comprises another item to be provided to the customer in place of the item.

60. The method of claim 1, wherein the merchant benefit comprises another item to be provided to the customer in addition to the item.

61. The method of claim 1, wherein the merchant benefit comprises an improved transaction term.

62. The method of claim 61, wherein the transaction term comprises at least one of: (i) a warranty term and (ii) an interest rate term.

63. The method of claim 1, wherein said determining comprises determining a plurality of potential third party subsidy offers, and further comprising:

selecting the third party subsidy offer to be provided to the customer from the plurality of potential third party subsidy offers.

64. A method for processing a transaction in which a customer purchases an item from a merchant, comprising:

determining a third party subsidy to be provided to the customer, the third party subsidy being associated with

(i) a third party subsidy amount to be applied to the transaction and

(i) performance of a task by the customer;

determining a merchant subsidy amount based on a retail price associated with the item less the third party subsidy amount;

determining a retail margin based on a retail price associated with the item less a cost of the item to the merchant; and

applying the merchant subsidy amount to the transaction if the retail margin less the merchant subsidy amount is at least equal to a minimum acceptable margin associated with the item,

wherein the third party subsidy amount and the merchant subsidy amount are not revealed to the customer.

65. A method for processing a transaction in which a customer purchases an item from a merchant via a controller, comprising:

receiving an indication the customer is interested in purchasing the item;

determining a third party subsidy offer to be provided to the customer, the third party subsidy offer being associated with

(i) a third party benefit to be applied to the transaction and

(ii) performance of a task by the customer;

determining a merchant benefit to be applied to the transaction; and

transmitting to the customer an indication including the third party benefit and the merchant benefit without revealing the third party benefit and the merchant benefit to the customer.

66. A method for processing a transaction in which a customer purchases an item from a merchant, comprising:

determining a third party subsidy offer to be provided to the customer, the third party subsidy offer being associated with a third party benefit to be applied to the transaction; and

determining a merchant subsidy amount to be applied to the transaction.

67. A system for processing a transaction, comprising:

processor; and

a storage device in communication with said processor and storing instructions adapted to be executed by said processor to:

determine a third party subsidy offer to be provided to a customer, the third party subsidy offer being associated with a third party benefit to be applied to the transaction, and
evaluate whether a merchant benefit will be applied to the transaction.

68. The system of claim 67, further comprising a communication device coupled to said processor and configured to communicate with at least one of:

(i) a customer device,

(ii) a subsidy provider device, and

(iii) a controller.

69. The system of claim 67, wherein said storage device further stores at least one of:

(i) a customer database,

(ii) an item database,

(iii) a third party subsidy database,

(iv) a merchant subsidy database, and

(v) a transaction database.

70. A medium storing instructions adapted to be executed by a processor to perform a method of processing a transaction in which a customer purchases an item from a merchant, said method comprising:

determining a third party subsidy offer to be provided to the customer, the third party subsidy offer being associated with a third party benefit to be applied to the transaction; and
evaluating whether a merchant benefit will be applied to the transaction.